



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

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TESTIMONY OF  
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION  
SUBMITTED TO THE  
APPROPRIATIONS COMMITTEE  
MARCH 23, 2010  
LEGISLATIVE OFFICE BUILDING  
STATE CAPITOL  
HARTFORD, CONNECTICUT

Good day. My name is Pete Gioia. I am the economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ about 700,000 women and men in Connecticut. Our membership includes firms of all sizes and types, the vast majority of which are small businesses with fewer than 50 people.

CBIA would like to comment upon the deficiency bill HB 5016. While CBIA is encouraged that the bill does not call for additional appropriations to close a nearly \$89 million gap we are profoundly concerned about high growth areas like Medicaid that routinely have overspending. Nevertheless much of the "savings" called for in the bill merely defer spending to later dates on things like retirement obligations. It should be noted that this sum exceeds the charge the legislature has given the Commission on Enhancing Agency Outcomes to find budget savings. It's a big problem!

Certainly this problem requires both review and action on high growth areas of the budget. The state MUST find ways to better control Medicaid expenditures or face repeated

deficiencies, cost overruns and high budget growth. Long term care services are vital and serve often the most vulnerable and needy of our citizens. But, a key in sustaining delivery of such services in the difficult budget times is to spend dollars wisely while meeting client preferences. Recently, the Connecticut Institute for the 21<sup>st</sup> Century released a study of LTC in the state. The study found that clients prefer home care and alternatives to institutional nursing home care where possible. The state should focus upon providing the right care in the right place at the right price. The executive summary of the study is attached. The full study can be accessed at [http://ctregionalinstitute.files.wordpress.com/2010/02/findings\\_full.pdf](http://ctregionalinstitute.files.wordpress.com/2010/02/findings_full.pdf) . The call for the state to pursue waivers to better allow for CHOICE in LTC is a step in the right directions as it empowers the client, allows for appropriate care at the desired location and ultimately better spends scarce budget dollars. We support this effort.

In addition, we encourage the committee to call for a review of best practices in Medicaid cost savings efforts in other states with a set report date and a set date to begin IMPLEMENTATION of such recommendations. Connecticut needs to catch up with innovation in the field.

Therefore, while we realize the committee has to pass a deficiency measure we hope the committee attach instructions to immediately proceed with action on the Institute report recommendations and instructions to comprehensively review this area and find and implement best practices other states are doing. We suggest that legislative professional staff work jointly with OPM on this vital task.

Given the herculean budget challenges of 2012-14 the General Assembly needs to act now to defuse potential future deficiency problems.

Thank you for the opportunity to present this testimony.

# Framework for Connecticut's Fiscal Future

Part 1: Assessment of Connecticut's Long-Term Care System



A Report of the Connecticut Regional Institute for the 21st Century

# CT21

CONNECTICUT REGIONAL INSTITUTE FOR THE 21ST CENTURY

**THE MISSION:** The Connecticut Regional Institute provides continuing opportunities for its members and other organizations to understand and discuss economic activity in the state and obstacles to its success. In 1993, the Institute released a significant study commissioned from the firm of Michael Gallis & Associates, Inc. entitled "Connecticut: Strategic Economic Framework." The study defines the real-life economic markets and movement of people, goods, and ideas in the region, the nation, and the world.

The analysis in the Gallis study serves as a means for Connecticut residents to:

- Develop a stronger network among private and public-sector leaders and a leadership structure effective in keeping this region competitive, and
- Identify issues of inter-regional scope and opportunities to strengthen the state and each of its regions as premier places to live, visit and work.

**FOR ADDITIONAL INFORMATION VISIT:**

[ctregionalinstitute.org](http://ctregionalinstitute.org)

The Connecticut Regional Institute for the 21st Century (the Institute) was formed in 1997 when public and private leaders in Connecticut came together to exchange ideas about increasing the state's economic growth by viewing Connecticut as part of a dynamic set of systems in the Northeast, not as a "stand-alone" political entity. The group focused on informing policymakers on key issues that hold the most potential for the state's future. Managed by a statewide steering committee, the Institute is incorporated, has not-for-profit tax exempt status, and provides continuing opportunities to discuss and study important issues regarding Connecticut's competitiveness.

- In 1999, the Institute commissioned a significant study by the firm of Michael Galis & Associates, Inc. entitled: *Connecticut: Strategic Economic Framework*. The study defines the real-life economic markets and movement of people, goods, and ideas in the region, the nation and the world. That widely-recognized study is seen as a valuable policy framework, continuing to shape the Institute's initiatives.
- In 2003, the Institute turned to the issue of the link between Connecticut's future growth and responsible land use in order to draw connections between economic development, state and local planning, the trend toward sprawl, and preserving our quality of life.
- In 2007, the Institute's latest report, *Economic Vitality & Competitive Cities*, identified key features of successful cities and strategies for making all Connecticut communities attractive and productive, with recommendations for state and local actions to achieve this objective.

### The Challenge of 2010

For the past two years the Institute has tracked the state's continuing battle to wrestle with the growing fiscal and economic crisis. The economic downturn has created increased need for public services while sharply reducing state revenues.

The numbers in Connecticut have dramatic implications for the role and costs of government at all levels in the state.

- State budget deficits of \$1.2 billion to \$2.0 billion over the next three fiscal years, approximately 20% to 30% of the state's current services spending.

- Unemployment that is just under 9% and job recovery that is expected to be slow;
- Exploding numbers of foreclosures and personal bankruptcies;
- More than \$20 billion in unfunded liabilities for retiree pension commitments and health obligations; and
- Outbacks to local town and city governments that will cause deficits and potential sharp municipal tax increases.

Our state's elected leaders face difficult decisions as they seek to ensure that Connecticut emerges as a competitive, caring state when the economy improves. The massive federal stimulus package in aid and loans to our state and municipal governments will not solve our structural problems or fully close our vast deficit. If the state does not deal effectively with the current structural fiscal issues, Connecticut's economic competitiveness is questionable. It is for this reason the Institute decided to take on a series of initiatives to assist the state in addressing the current fiscal and economic crisis.

### The Institute's Current Mission

The Institute has resolved to look at elements of spending that account for a significant percentage of the state's budget and where shifts in approaches to service delivery could make a real difference. In doing so, the Institute engaged research firm Blum Shapiro to assist in this effort, asking them to review major budgetary program areas and to:

- Quantify savings that can be realized in the next fiscal cycle and over the long term;
- Identify opportunities to improve service;
- Identify opportunities to increase customer satisfaction; and
- Identify opportunities to increase efficiencies.

For further information about the Institute and its work, visit [www.ctregionalinstitute.org](http://www.ctregionalinstitute.org).

### Regional Institute Steering Committee:

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## Summary of Report Findings

This report, entitled *Assessment of Connecticut's Long-Term Care System*, is the first in a series of such efforts that the Institute will undertake in 2010. The goal is to provide political leaders in the Executive and Legislative branches with tools to re-invent Connecticut's approach to state government and delivery of services.

Findings show that Connecticut's Long Term Care (LTC) System is out of balance and in dire need of restructuring if the state is to assist those in need of LTC over the next 15 years while not dramatically increasing costs.

### LONG TERM CARE IS BROAD AND AFFECTS EVERYONE

LTC covers a broad range of paid and unpaid supportive services for persons who need assistance due to physical, cognitive or mental disability or condition. LTC consists largely of personal assistance with the routine tasks of life, as well as additional activities necessary for living independently. Unlike medical care where the goal is to cure or control an illness, the purpose of LTC is to allow an individual to attain and maintain the highest reasonable level of functioning and to contribute to independent living.

### CONNECTICUT MEDICAID EXPENDITURES ON LONG TERM CARE ARE SIGNIFICANT

Providers of LTC include nursing homes (institutions), homes and community based services by formal paid caregivers, and home and community based care by informal caregivers. Informal caregivers are unpaid family and friends who serve as the primary source of LTC.

Medicaid is the primary payer of formal LTC nationally and is the United States' health program for eligible individuals and families with low incomes and resources. It is a means-tested program jointly funded by the state and federal governments, and is managed by the states.

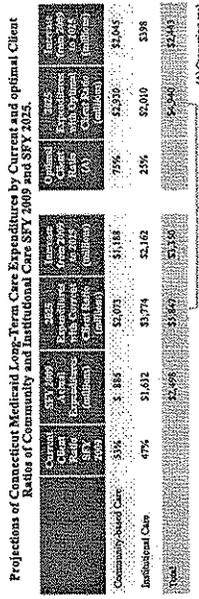
In SFY 2009, Connecticut's Medicaid program spent \$2.498 billion on LTC, accounting for 13% of total expenditures - and the demand for LTC in Connecticut is growing.

Over the next 15 years (2010 to 2025), Connecticut's total population is projected to increase by 3%. Although this increase is modest, there are two additional, extraordinary trends occurring:

- The number of adults between the ages of 18 and 64—the primary, unpaid caregivers of family members—will actually decrease by 5%.
- The number people over 65 years of age will increase by 40% (207,745), due to aging of the Baby Boomer Generation.

The increasing population of residents 65+ years of age and the reduction in number of family members who will care for them will drive a significant increase in demand for LTC in Connecticut. Under the current LTC model in Connecticut, annual Medicaid LTC spending will increase by more than \$3 billion by 2025.

While Connecticut can avoid a significant portion of this cost increase, in order to do so, the LTC system must change. It is fundamentally out of balance. Traditionally, in Connecticut and nationwide, Medicaid has made access to institutional care easier than to home and community-based care, largely the result of federal Medicaid rules and regulations. Consequently, residents who could be properly cared for in their home, and bear some of their room and board costs, are instead directed towards more expensive institutions.



- Consolidate and Integrate State LTC Functions
  - Establish consolidated, efficient all-ages, human services approach to LTC in Connecticut that maximizes the impact of Medicaid dollars and Older Americans Act funds.

Rationale for Change:  
 Connecticut has a fractured governance structure for providing administrative and programmatic support to older adults and persons with disabilities. A number of different state departments and agencies are responsible for services and funding for different populations and programs. This organizational complexity poses significant challenges for both consumers and providers of LTC services. Further uncertainty has been created by a legislative mandate to create new Department on Aging.

The Institute believes these recommendations, along with more specific recommendations contained within the report, to be of the highest priority.

The Institute would like to thank the Connecticut Long-Term Care Planning Committee, the University of Connecticut Health Center - Center on Aging, and the Connecticut Commission on Aging for their cooperation. This executive summary was created from the *Assessment of Connecticut's Long-Term Care System* report in which appropriate references can be found for source information.

The Institute will look at two or three other areas of state government during 2010. Areas currently under consideration include efforts to reduce recidivism in our state prisons, and increased communal living and daycare services provided by non-profit agencies for the Department of Mental Health and Department of Mental Retardation clients. We encourage you to suggest other areas of state government that could benefit from this type of objective review.



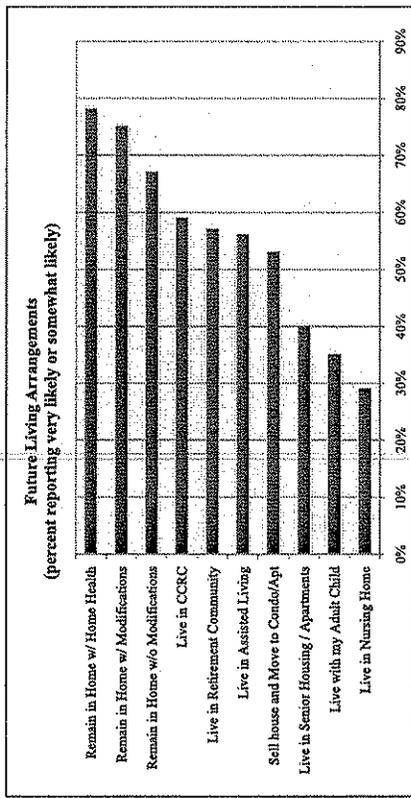
### CONNECTICUT'S LONG TERM CARE SYSTEM MUST REBALANCE

"Rebalancing" is the term used to describe efforts to provide recipients of LTC with a greater choice and more options, particularly the expansion of appropriate community and home-based options. Providing greater choice and access will create a more favorable ratio of people receiving home and community based care versus institutional/nursing home care. Currently, the state's system balance is 53% home and community based care and 47% institutional care. Connecticut's stated goal of a more-balanced system is 75% home and community based care and 25% institutional care, which would avoid more than \$900 million in annual LTC costs in 2025, and produce two other major benefits:

Connecticut Medicaid LTC Clients and Expenditures SFY 2009		
	SFY 2009 Medicaid LTC Clients (Millions)	SFY 2009 Medicaid LTC Expenditures (Millions)
Community-based Care	21,275 (53%)	\$ 886 (35.5%)
Institutional Care	18,922 (47%)	\$1,612 (64.5%)
<b>Total</b>	<b>40,197 (100%)</b>	<b>\$2,498 (100.0%)</b>

• **Connecticut Residents Prefer to Receive LTC at Home**  
The challenges of Connecticut's LTC system and its institutional bias affect much more than the cost of care. Almost 80% of state residents would prefer to continue living in their homes, with home health or homemaker services being provided.

• **Rebalancing can Significantly Slow Growth of LTC Spending**  
On average, Connecticut Medicaid dollars can support more than two older people and adults with physical disabilities in a home and community-based setting for every (one) person in an institutional setting.



### REBALANCING IS DIFFICULT

The Federal Medicaid program was implemented when institutions were the only real care alternative, enabling people to get institutional care as easily as possible. With the growing preference, availability, and cost of home and community based care for LTC, Medicaid adjustments, called waivers, were created to enable home and community based care for people with specific needs. In Connecticut, each LTC waiver is managed separately, creating a challenging environment for persons seeking to learn of and acquire home and community based care when it is appropriate. Implementation of rebalancing requires improvement in the ability of people to acquire home and community based care at a level on par with institutional care, giving people a choice when home and community based care is an appropriate option.

### CONNECTICUT HAS TAKEN STEPS - BUT NOT ENOUGH

Despite challenges, other states have successfully rebalanced, resulting in ratios today that meet or exceed Connecticut's 2025 goal. Connecticut ranks 34<sup>th</sup> among the states and is below the national average and many New England states in its rebalancing efforts.

Money Follows the Person, an important Connecticut initiative designed to promote personal independence and achieve fiscal efficiencies, was recently funded by the U.S. Centers for Medicare and Medicaid Services and the State of Connecticut as part of a national effort to rebalance LTC systems, according to the needs of all persons with disabilities. Successful early program results show an average monthly cost decrease from \$2,651 for institutional care to \$963 for home and community based care. These early results may not be indicative of all the results as the program expands.

### NOW IS THE TIME FOR LEADERSHIP AND A STRATEGY

Rebalancing works in other states and has shown good results in Connecticut, but leadership, commitment and an implementation strategy are needed in order to accelerate rebalancing efforts and achieve program goals. We have no choice: the issue is not *how* we achieve this; it is that *we must* achieve it.

The Governor should call for the Legislature to pass legislation that creates a commission to review state government operations, top to bottom, making LTC a top priority.

As part of that review, the institute recommends:

- ▶ Provide Strong Leadership
  - The Governor and the Legislative leadership must make Connecticut's LTC System a priority
  - Rationale for Change:
    - LTC affects everyone.
    - The system is expensive and will get worse.
    - Connecticut is behind other states.
  - Potential Implementation Approaches:
    - Appoint a cabinet level position to lead and manage LTC.
    - Create and support legislation that does not allow short-term budget pressures to interrupt investments in the LTC system.
    - Strengthen OPM's role as a point of coordination for LTC.
    - Aggressively pursue additional federal funding.

### Percent of Medicaid LTC Spending for HCBS FY 2007

State	Percent	US Rank
New Mexico	72.9	1
Oregon	72.7	2
Arizona	64.0	3
Maine	51.4	11
Rhode Island	45.6	14
U.S.	41.7	-
New Hampshire	39.6	25
Massachusetts	38.7	28
Connecticut	35.5	34

▶ Create a Strategy and Align the LTC System
 

- Under the governor's leadership a LTC strategy must be developed. The implementation of this strategy must align all aspects of the LTC system with the existing statute.
- Rationale for Change:
  - The existing system was created prior to the emergence of HCBS and has a bias towards institutions.
  - HCBS capacity must grow to support increasing demand for LTC.
  - A comprehensive strategy that incorporates all elements of the system is not apparent.
  - The Connecticut LTC Plan has good ideas that are a guide but without accountability for implementation.

- Key Elements that should be addressed in a Connecticut LTC Strategy are:
  - Organization Structure
  - Clearly Defined Goals
  - Process and Technology